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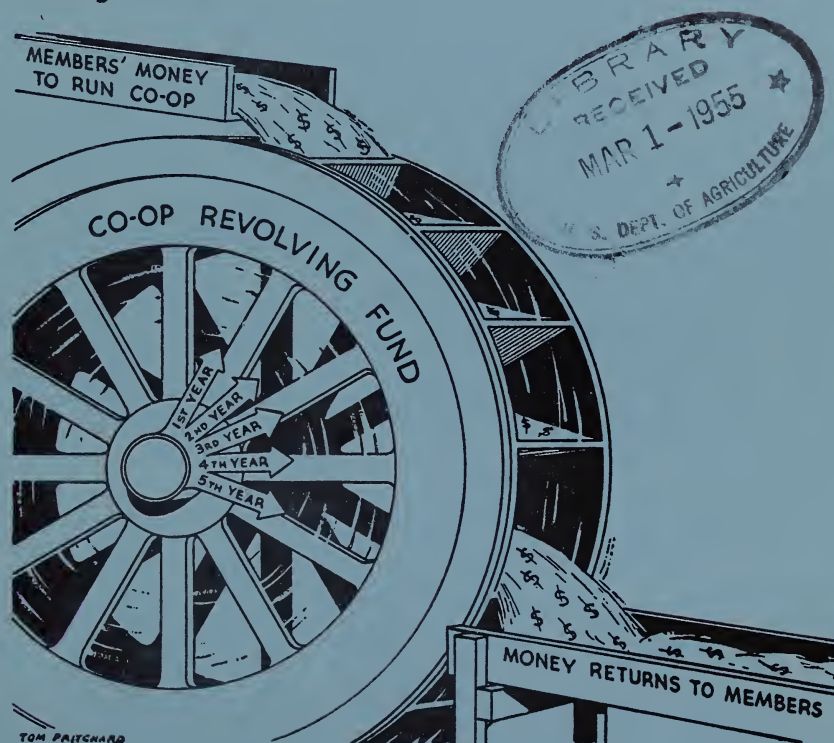
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F22 FCS  
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# FARMER COOPERATION

## *An American Way*

### Section C ... 4-H DEMONSTRATIONS

- The Use of the Revolving Fund
- Parliamentary Procedure



FARMER COOPERATIVE SERVICE and  
EXTENSION SERVICE of the  
U. S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.  
In Cooperation with  
AMERICAN INSTITUTE OF COOPERATION

## FOREWORD

The "off the farm" or the "beyond the line fence" phases of farming have greatly increased. Also, as smaller portions of the products of the farm are consumed there, these activities are increasing. Through their cooperatives, farmers can increase their participation in this "off the farm" business.

Participation in business and business organizations requires an understanding of the business and of the organizations. In 1950 the Director of the Federal Extension Service considered the understanding of cooperative farm business by members of 4-H Club and young men and women's groups of such importance that he appointed a committee to develop a program in cooperation. This committee decided that demonstrations, illustrated lectures and dramatizations would be a valuable part of the program.

Some suggested demonstrations and illustrated lectures are developed in this circular. They are guides only. It is suggested that leaders adapt them to suit the particular clubs or groups that use them. One club will probably not be interested in all the activities. Thus, it was not thought practical to put all the demonstrations in one publication. Therefore, FCS Educational Aid 1 has been developed in sections.

Section A. Contains dramatizations on "The Way of the Pioneer" and "Cooperation Lights and Lightens Housework."

Section B. Contains illustrated talks on "Purchasing Feeds" and "Four Kinds of Business Firms."

Section C. Contains demonstrations on "The Use of the Revolving Fund for Financing Farmer Cooperatives" and "Parliamentary Procedure."

Section D. Contains an illustrated talk on the "The Way Farmers Do Business."

Section E. Contains an illustrated talk on "The American Private Enterprise System."

Section F. Contains group demonstrations on "The Co-op Tour as an Educational Activity" and "Organizing a Junior Cooperative."

The presentations developed in Sections A, B, C, D, and E are suggested for older teenagers and for young people beyond 4-H Club age. Section F has been designed for use by 4-H Club leaders and can be adapted to all age groups.

# THE USE OF THE REVOLVING FUND FOR FINANCING FARMER COOPERATIVES<sup>1</sup>

BY JOHN H. HECKMAN

## A. Captain

*Introduces himself and teammate. Tells something of their 4-H activities and connection with cooperatives. Makes background statement about cooperatives.*

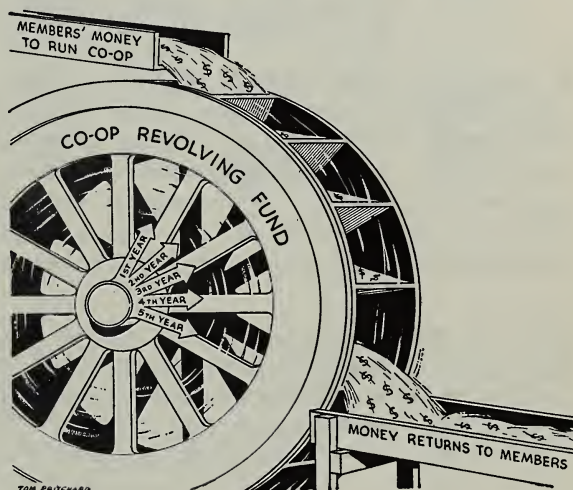
## B. Teammate

*Recognizes introduction. Arranges material. Holds up Chart 1, as A finishes opening statement.*

As part of the background, indicate the importance of cooperatives in the United States. Mention the more important cooperative activities in your community, the State, and the nation. Tell something of their number and the volume of business.

Sources of material for number and type of cooperatives by States, regions, and the country as a whole: Farm Credit Administration Miscellaneous Report No. 137. More detailed information on local and State cooperatives can be obtained from the Agricultural Economics Department of the College of Agriculture, the Extension Economist, or the State Cooperative Council.

Chart 1



## B.

*As A completed the opening statement, B hangs up Chart 1.*

## A.

*Assists in hanging Chart 1. (It should be about 24" x 36")*

B speaking. Farmer cooperatives are business organizations. We might consider them as economic mills grinding out marketing, purchasing, or other services for their members. In this way they improve farm income. (Points to mill wheel and money flowing from it.) It takes power to run a mill. One of the forces which make business mills run is capital. (Points to money flowing into wheel.)

<sup>1</sup>Suggested demonstration for two older club members for presentation before adults such as, at annual meetings of cooperatives or cooperative council meetings. This outline and suggested procedure can be adapted to other phases of agricultural cooperation. It also can be adapted to team members of other ages and to other audiences.



In this respect, a cooperative business is no different from any other. It requires the same amount of money to operate a cooperative efficiently as it does a noncooperative type of business - no more - no less.

Thus, the difference between the capital for a cooperative and that for a noncooperative is not in the amount required. Rather it is the purpose for investing the capital. Like the cooperative, the objective of most noncooperative businesses is also to improve income. Income from noncooperative business is improved through earnings on the investment in the business. Thus, one man may have a small and another a large investment in the same business regardless of the amount they use the services provided by it. In fact, neither of them may patronize the business at all. On the other hand, the member of a cooperative improves his income through the services which the cooperative provides. (Points again to money flowing from wheel.)

### (Discussion lead shifts from B back to A)

A speaking. We have just said that members invest capital in their cooperatives to secure more or improved services. Thus, a fair way to contribute this capital is in proportion to the amount of service the member gets from the cooperative. This may be done by making investments in the association according to the number of bushels of wheat, or units of other products marketed, the quantity of fertilizer or other products purchased or the units of insurance or other services provided.

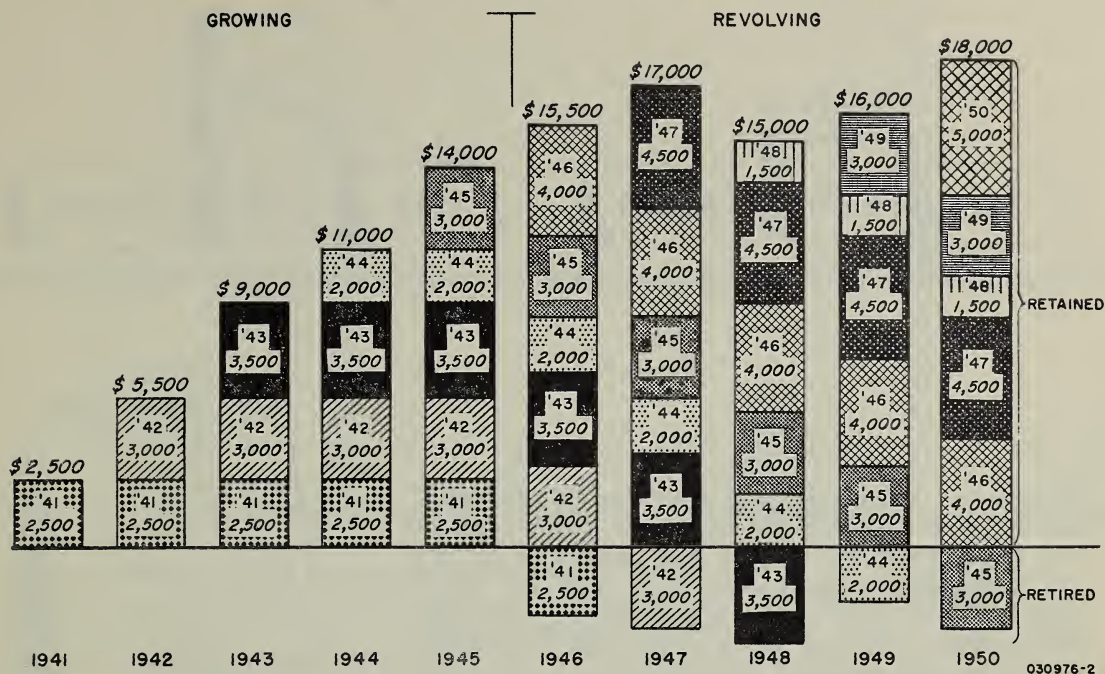
That is where the idea of a revolving fund comes in. Under this plan, each patron invests a small portion of his income from the cooperative in the capital of the organization. (Points to money flowing to wheel.) Thus, each member pays for running the cooperative in exact proportion to the use he makes of it. This carries the idea of democracy into financing the cooperative as well as operating it. Each fellow does his fair share.

The capital contributed by each member is turned into the mill wheel along with that of all other members. (Points to the wheel.) Here it provides the capital force of buildings, equipment, and operating funds to run the mill. The next year and succeeding years similar contributions are made. (Points to years 2, 3, 4, and 5, on the wheel.) Finally, the capital fund is large enough. Still new payments are made each year. However, the amount invested the first year is drained off in cash and paid to the patrons of that year. (Points to the drain trough.) Thus, the capital payments of the first year have revolved back to the patrons. This process goes on year after year.

It should be remembered that this capital belonged to the patrons all the time. Starting as their income, they just left a small portion of it in the capital of the cooperative for a few years. They made this investment in their cooperative in exactly the same manner as they use other portions of their income to provide buildings, equipment, or operating funds for their farms.

CHART 2

## REVOLVING FUND CAPITAL OF A FARMERS' COOPERATIVE

B.

As A is shifting Chart 1, B picks up Chart 2. (It should be the same size and of the same material as Chart 1.)<sup>2</sup>

A.

As A is finishing his discussion, he shifts Chart 1 to a side position. It should remain as part of the background during the rest of the demonstration. A helps B hang Chart 2.

B speaking. Now let's see how a revolving fund works in a particular association. This chart shows the fund in operation during a 10-year period. During one-half the period, or from 1941-1945, the association was building the fund. During the other half, or from 1946-1950, the fund has been built and is revolving. (Points out the periods as he talks.) Each year investments were made in the cooperative by the patrons in proportion to the amount of business they did with it. Each year the fund grew larger. (Points to the increasing height of the columns.) During this growing period, the cooperative was, of course, short of capital. It either borrowed additional money or operated on a small scale.

By 1945, the patrons had invested enough capital so that with other funds and the credit available, the association could get along.

<sup>2</sup>While available, one each of Charts 1 and 2 will be supplied to leaders sponsoring a demonstration team. Make request to the Division of Information, Farmer Cooperative Service, Washington 25, D. C.

Chart 3

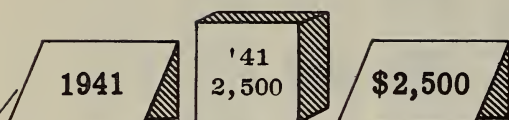
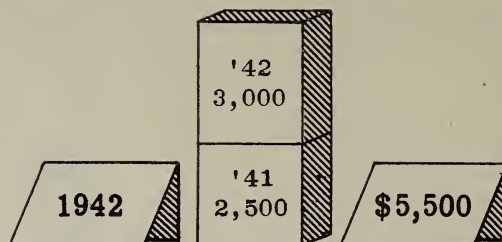


Chart 4

Chart 9  
MEMBERS-1941

John Smith  
Wm. Brown  
Mrs. Ethel Jones  
A. E. Norman  
W. R. Brock  
S. E. Wilmont  
George Ayres  
Al McMillan  
Sam Bates  
R. H. Boswell

Therefore, when the 1946 investment was made, the \$2,500 invested in 1941 was paid back to the patrons. (Points to the 1946 and to the 1941 payments, both when made and as shown retired.) The same was done during succeeding years. It is seen that the earliest capital invested was paid back first. Following the 1941 payments which were refunded in 1946, those made in 1942 were paid back in 1947, those made in 1943 were paid in 1948, etc. (Points to each year when payment and refund was made.)

A.

As B is shifting Chart 2, A is picking up the three portions of Chart 3. The date "1941" and dollar volume "\$2,500" portions of Chart 3 and of all charts for succeeding years should be separate cards made with corners folded so that they will stand. The "block" portion should be of wood or cardboard made to scale and constructed so that a column can be made of the blocks.

B.

As B finishes talking he shifts Chart 2 to a side position where it remains with Chart 1, in view during the remainder of the demonstration.

A speaking. Now let's see how this fund was handled each year. In 1941 the patrons paid \$2,500 in to the capital of the cooperative. (Sets up the "1941" card, then the block "'41", then the card "\$2,500" in a row.) It was paid in by these members. (Holds up Chart 9, which is a card that



Chart 5

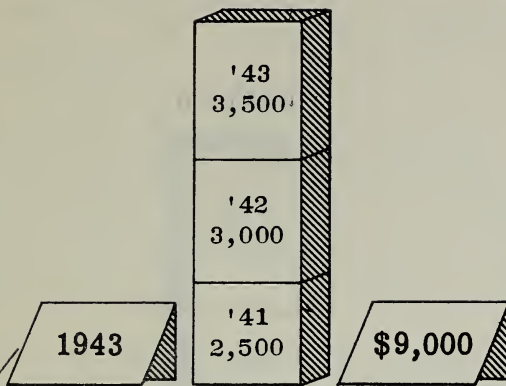
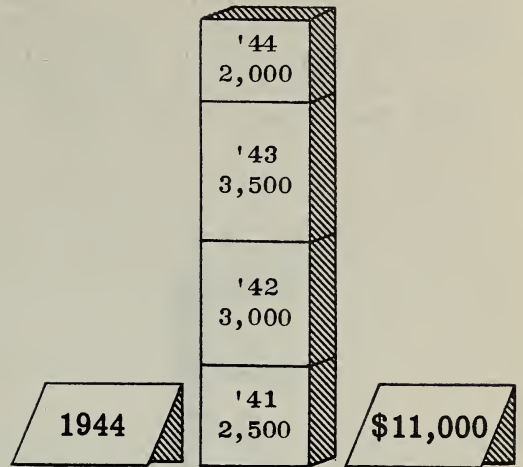


Chart 6



will stand. Puts card down on table and reads names of members, pointing to them as he reads.) Each of these members in 1941 paid a sum into the capital fund of the cooperative in proportion to the amount of business he did with it. This is a small association, but the same procedure is followed, regardless of size.

Each member was given a certificate showing the amount he contributed. These may be stock certificates, certificates of indebtedness, or any type of equity certificates that the association may use. The types of certificates used and the method of issuing them are specified in the bylaws of the cooperative.

Chart 10  
MEMBERS-1942,  
1943, and 1944

John Smith  
Wm. Brown  
Mrs. Ethel Jones  
A. E. Norman  
W. R. Brock  
S. E. Wilmont  
George Ayres  
Al McMillan  
Sam Bates  
Jack Beaman  
J. H. Butler

B.

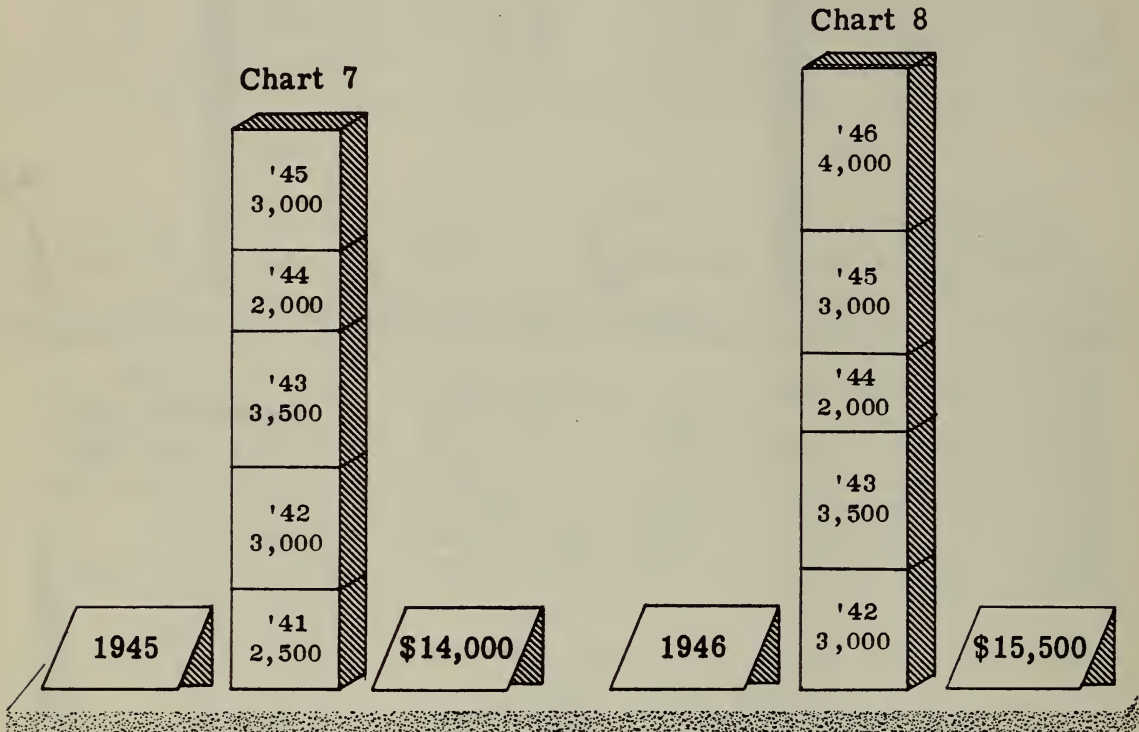
As A finishes taking down Chart 3, B picks up the "'41" block of Chart 3 and quickly sets up Chart 4. The block "'42" is placed on top of "'41" and the "1942" and "\$5,500" cards are arranged as shown.

A.

As A finishes speaking he sets Chart 9 to one side, in view, for future reference. He completely removes the "1941" and "\$2,500" portions of Chart 3. The block "'41" in Chart 3 remains.

B speaking. The volume of business increased in 1942. That year the members contributed \$3,000 to the revolving fund. (Points to block.) This brings the fund up to \$5,500. (Points to card.) As happens in all cooperatives, there are changes in membership constantly taking place. (Picks up Chart 10 and places it on table.) Early in 1942 Mr. Boswell (points to Chart 9) sold his farm. His only son at home had gone into the Army and Mr. Boswell couldn't handle the farm alone. So he didn't

patronize the cooperative in 1942. Also, two new members, Mr. Beaman and Mr. Butler, (Points to names on Chart 10) joined. Therefore, the membership was slightly different during 1942, 1943, and 1944, from what it was in 1941. Thus, some different members were contributing to the revolving fund as one old member dropped out and two new ones joined. (Takes down Chart 10 and all but the blocks of Chart 4.)



In 1943 business was still better. That year the members invested \$3,500 in the capital of the cooperative. (Picks up "'43" block and quickly constructs Chart 5.) The capital fund is now \$9,000. Our cooperative can expand its operations further.

In 1944, something happened which all cooperative leaders dread but have to be prepared for - a bad year. (Holds up "'44" block.) Volume was short and the uniform contributions of the members only totaled \$2,000 instead of the expected three or more thousand. This is the first year they have failed to make a greater increase than the year before. (As he talks he constructs Chart 6.) Even with the low year in 1944, the capital fund has now climbed to \$11,000. (Points to figure.)

**Chart 11**  
**MEMBERS-1945**

John Smith
Wm. Brown
A. E. Norman
W. R. Brock
S. E. Wilmot
George Ayres
Al McMillan
Sam Bates
Jack Beaman
J. H. Butler

<u>A.</u>	<u>B.</u>
<i>A holds up "'45" block.</i>	<i>B dismantles Chart 6 and removes "1944" and "\$11,000" cards.</i>

A speaking. Conditions improved for the cooperative again in 1945. As a result the contributions of the members totaled \$3,000. (Quickly constructs Chart 7.) At the end of the year the directors find that the members' capital fund is \$14,000. (Points to "\$14,000" card.) They study the operating program of the association and the prospects for the near future. They check this against the building, equipment, operating funds available, (points to 1945 column of Chart 2) and the debts of the cooperative. When this study is completed, the directors decide that, for the present, the \$14,000 in member capital is sufficient.

What do they do about it? Tell the members not to make any payments next year? That is what all cooperatives formerly did and what many still do. Why not? They have plenty of money for present needs!

However, our directors don't do that. They decide to ask the members for exactly the same capital payments in 1946 as they had been making during the past five years. Queer, isn't it? However, that's where the revolving fund idea comes in. Also, in the meantime the membership has changed again. (Sets up Chart 11.) Mrs. Ethel Jones, (points to Chart 9) has married again - her new husband doesn't like the farm - so they have rented it and moved to town.

<u>B.</u>	<u>A.</u>
<i>B picks up "'46" block.</i>	<i>A takes down Chart 7. Places the "'41" block in prominent place on table, but makes no comment about it.</i>

B speaking. 1946 was another good year for this cooperative - the best of them all in fact. The proportionate capital payments of the members totaled \$4,000. (Gestures with the block in his hand and quickly sets up Chart 8.) There - our cooperative now has \$15,500 in its patrons' capital fund. (Points to the \$15,500 card.) Of this \$4,000 was paid in 1946, \$3,000 in 1945, \$2,000 in 1944, \$3,500 in 1943, and \$3,000 in 1942.

No doubt you are wondering what has happened to the \$2,500 paid by the patrons in 1941? (Picks up the "'41" block as he speaks.) What has happened is that the revolving fund has begun to revolve. This \$2,500 was returned to the patrons. Just who received it? Was it the members of 1946? (Points to Chart 11.) No! It was paid to the members of 1941! (Points to Chart 9 which has been standing on the table.) You will recall that Mr. Boswell (points to name) sold his farm and left the cooperative in early 1942. Thus, he has not been a patron since. However, he was in 1941, and received an equity certificate for his part of



this \$2,500. When he receives this payment, his name disappears from the rolls of the cooperative. In this way the revolving fund keeps the money which runs the cooperative in the hands of the people who are most interested in it - the ones who are using it. The membership and patrons of cooperatives are constantly changing. This method of financing grinds out the old ones, grinds in the new ones and keeps the mill up-to-date. (Points to the mill wheel in Chart 1.)

### (Discussion lead shifts from B back to A)

A speaking. In this discussion we have used a 5-year period. Don't get the idea that it has to be a 5-year period or any other definite period. Let's see what might happen if a fixed 5-year period was used. (Points to Chart 2.) Notice the great difference in payments between the various years. In 1944 - a low volume year - the payments were only \$2,000. In 1948 it was still worse - with only \$1,500 in capital payments. In 1950 - a banner year - the capital payments were \$5,000. (Points to years on Chart 2.) Suppose the time came to make the \$5,000 payment when the association had just experienced either the \$2,000 or the \$1,500 year. It would simply mean that the capital of the cooperative would be seriously reduced in order to make the payment. Yet many cooperatives try it. A wiser plan is to make these payments as, when, and in the amounts which can be safely done. Thus, it may be 5 years, 6 years, 7 years, or some other period. Also it might be that a portion of a year's payment would be refunded instead of the whole year. This would mean paying each grower his pro rata part for that year. In this way the capital position of the cooperative can be kept sound and in the hands of those who are using its services. Thus, the cooperative mill can be kept well oiled, strong, and the financial wheels turned by those who use the mill. (Gives the wheel in Chart 1 an imaginary turn as he finishes.)

### REFERENCES

FCA Circular C-108, page 7; FCA Circular E-20, page 5; FCA Circular E-32, page 21; now available from the Farmer Cooperative Service. Texas Extension Circular B-152, page 6; Tennessee Extension Circular 311, page 13; Georgia Extension Bulletin 498, page 8; Kentucky Extension Circular 484, page 25.



## A Demonstration in Parliamentary Procedure

C. F. Christian<sup>1</sup>

Notes: A lesson in the democratic way of conducting group activities can be drawn from the business meeting of a 4-H Club. The same practice of "one-man - one vote" is observed in most of our farm business organizations and in our government.

At the beginning of the 4-H Club business meeting, the leader may make a statement like this:

*Advisor:* In our club meetings we follow parliamentary rules. Those rules are observed in every group where decisions are to be made affecting the people in the group. Parliamentary rules provide an orderly way for persons in the group to speak and finally to arrive at decisions or to make plans for action that meet the approval of the majority.

Introduction of the president, secretary (and other officers).

*President:* We will take up the business to be conducted in the following order:

- |                             |                                |
|-----------------------------|--------------------------------|
| (a) Roll call               | (e) New Business               |
| (b) Minutes of last meeting | (f) Election or appointment of |
| (c) Report of committees    | new committees                 |
| (d) Old Business            |                                |

Note: When motions are put to vote, the leader explains:

*Advisor:* Calling for a vote by voice, by raising hands or by standing is left to the chairman's choice, except when by-laws provide for another specific method. The use of the written ballot is required when we elect public officials. The "one man-one vote" practice applies in our elections. We will now have \_\_\_\_\_ (club member) and \_\_\_\_\_ (club member) explain how an election of public officials is like and unlike our voting on 4-H Club motions.

*First Club Member:* Every American citizen 21 years old<sup>2</sup> or over who has lived in a voting district long enough to qualify as a voter has the right, yes the duty, to go to the polls and cast his ballot at all elections. Men and women without restrictions as to race, creed, economic or social standing have one vote per person.

*Second Club Member:* When a citizen goes to the polling place to vote, he or she signs the register, receives a ballot and goes to a voting booth. Within the voting booth each voter marks the candidates and issues which he believes will result in the best government. The voter's choice is secret.

<sup>1</sup>Land Grant College Consultant American Institute of Cooperation, 1951.

<sup>2</sup>There is some variation here, Georgia having reduced the voting age to 18 years.

*First Club Member:* After the voter has marked his ballot, he returns it folded, so that his choice of candidates cannot be read, to the ballot box. When the polls close, election judges open the ballot box, count each vote and record the totals for each candidate. Again - every man and woman has one vote and each vote counts just as much no more and no less than the other votes in the ballot box. That principle of equal voice in our government is the American way.

*Leader:* In business the one-man - one vote practice is followed by about 85% of our farmer cooperatives. Our 4-H Club members are going to demonstrate how the one-man - one vote practice operates in a cooperative meeting. We are assuming that this is an annual meeting of a farmers' cooperative elevator in which the member-patrons will elect directors. The president of our 4-H Club will act as president of the cooperative and conduct that part of the annual meeting concerned with the election of directors.

*Club President:* Our next item of business is the election of three directors to serve for a term of three years. Is the nominating committee ready to report?

*A Club Member:* The nominating committee met and selected the following member-patrons as candidates for director. We have named six candidates, all of whom have agreed to serve, if elected. These six candidates are:

(Here reads names of six members of 4-H Club)

*Club President:* Are there other nominations?

*A Club Member:* The nominating committee has selected good men. Three of them have served on the board of directors. They are experienced. We all like them. But I think it would be well to add the names of some young men, possibly some of the members of our training school for veterans. I understand they have been on a tour recently to study grain marketing. Some of them are members of our local elevator. Others are now buying their feeds and selling grain at the local elevator and have one or more shares of stock. I nominate (here names another member of the 4-H Club) to represent the young farmers.

*Club President:* Are there other nominations?

*A Club Member:* I think we need young farmers on our elevator board. They will bring others from their group into closer working relation. I nominate (here names another 4-H Club member).

*Club President:* Are there other nominations?

*A Club Member:* I move that the nominations close and we proceed to ballot for the eight candidates now proposed.

*A Club Member:* I second the motion.

*Club President:* It has been moved and seconded that the nominations close. All those in favor say: "Aye." Those opposed say: "No."

*Club President:* I appoint \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ to act as tellers. The tellers will distribute ballots and report when they have counted the votes.

*Club Leader:* Here again we see the working of the American way of choosing leaders, leaders in cooperative business. Each member-patron of a cooperative has a vote. By voting he selects the directors who make the rules for operating a cooperative business. The directors hire a manager to carry out the rules or policy. In our 4-H Club, in our cooperative business and in our government, one-man - one vote is a sound American practice resulting in democratic control and an equal voice for every club member, for every voter-citizen and for every member-patron of a cooperative.







